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IOWA DEPARTMENT OF COMMERCE
CREDIT UNION DIVISION
JAMES E. FORNEY
SUPERINTENDENT

INTERPRETIVE BULLETIN

DATE: July 1, 1992
TO: All State Chartered Credit Unions
FROM: James E. Forney
Superintendent of Credit Unions
SUBJECT: Bondability of Credit Union Officials

Iowa Law requires that a "credit union shall maintain a fidelity bond for credit union employees and officials in a sufficient amount to indemnify the credit union against losses which may be incurred by reason of any act or acts of fraud, dishonesty, forgery, theft, larceny, embezzlement, wrongful abstraction, misapplication, misappropriation, or other unlawful act committed by the employee or official directly or through connivance with others." [See **Iowa Code Section 533.64** (1992)]

Iowa law further provides that the board of directors shall "fix the amount of the surety bond which shall be required of all officers and employees" [See **Iowa Code Section 533.9** (1992)]; and, any credit union if, in the opinion of the Superintendent, current coverage is insufficient." [See **Iowa Code Section 533.64** (1992)]

In order for all credit unions to be in compliance with the Iowa Code, both regarding the establishment of adequate fidelity bond coverage and the renewal thereof, the Division recommends the use of the free service described in the enclosed CUMIS Insurance Society letter to credit union managers. It seems only prudent that part of the Board review of bond coverage adequacy should be to ensure that all credit union officials associated with the operation of the credit union are bondable.

The CUMIS Service recommended above, or any equivalent service subsequently approved by the Division, should also establish policies for ensuring adequate bond coverage is obtained for all new employees and credit union officials in the future.

All credit unions must have adequate written policies and procedures which will provide sufficient assurance that all credit union employees and officials requiring bond coverage are bondable. Failure of a credit union to secure and maintain adequate bond coverage of employees and officials would be considered a violation of the Iowa Code.

As stated in the CUMIS letter, details of the above recommended service can be obtained from your local CUMIS insurance representative, or you may send a written request to Tim Hamele, CUMIS Insurance Society, Corporate Underwriting, P.O. Box 1084, Madison, WI 53701-1084.

Again, we urge you to use this free service simply for the well being of your credit union but remind you that failure to do so may cause your credit union to be deemed in noncompliance with the above reference sections of the Code of Iowa.